



# **Cost Health Checks Aug 2013**

## **NAVY CEVM**





# Outline

- BCWP with no ACWP
- ACWP with no BAC
- Credibility of the Most Likely EAC
- Timely detail planning
- MR health
- Active Risk & Opportunity Management





# BCWP with no ACWP

How can work be performed without expending any effort?

- BCWP earned without incurred ACWP may indicate a failure to integrate cost and schedule
  - May also indicate mischarging
- Both cumulative and current month BCWP and ACWP should be reviewed monthly at the control account level





# ACWP with no BAC

Why would effort be expended if not for budgeted scope?

- ACWP incurred for un-budgeted effort represents a breakdown in the integration of budget, scope, and schedule
- Both cumulative and current month ACWP should be zero for any account or package with zero BAC.





# Most Likely (ML) EAC Credibility

## Is ML-EAC reasonable given incurred performance?

- If the EAC requires future cost efficiency that is significantly better or worse than incurred cost efficiency, then the forecast is probably unrealistic
  - At lower levels of the WBS, some examples of accounts with significant differences between incurred and forecast performance may exist and should be explained; however, instances should be limited
- To Complete Performance Index for the EAC ( $TCPI_{EAC}$ ) and cumulative Cost Performance Index (CPI) should be compared each month at the account and program levels to determine if they differ by 0.1 or more. If so, then the EAC in question is either extremely optimistic or pessimistic





# Timely Detail Planning

## Are work packages planned far enough in advance?

- If the contractor is unable to detail plan effort sufficiently far in advance of execution (per their system description requirement), it calls into question their planning capability and general level of baseline control
  - Potentially results in a situation where effort is being performed while the baseline is still being established. This undermines the objectivity of the baseline plan.
- Budgets in the defined freeze period should be reviewed each month to be sure that all planning package budgets have either been liquidated and detail planned or deferred to future months for subsequent planning





# MR Health

## Can the program sustain the current level of MR use?

- If the pace of MR distribution exceeds the pace of execution, then the contractor is likely to run out of MR for future risk mitigation and unknowns
- Monthly review of MR as a % of ETC is recommended to ensure that the contractor doesn't distribute all MR early in the contract
- MR transaction justifications should also be reviewed to ensure that MR is used in accordance with the system description





# Active Risk & Opportunity Management

Is the contractor actively managing and quantifying risk?

- If the contractor does not actively manage and/or has not developed cost estimates for identified risks and opportunities, then the EAC is likely understated
- Risk and Opportunity (R&O) Management Board minutes and the risk register/database should be reviewed to monitor:
  - level of new/retired risk
  - Updated valuations and probabilities for active risks and opportunities
- Ensure that R&O estimates are accounted for in the Most Likely EAC position







# Point of Contact

Navy Center for Earned Value Management

(703) 695-0510

[http://acquisition.navy.mil/acquisition\\_one\\_source/cevm](http://acquisition.navy.mil/acquisition_one_source/cevm)

